

SEC. 1061. COORDINATION OF FEDERAL INFORMATION POLICY.

Chapter 35 of title 44, United States Code, is amended by inserting at the end the following new subchapter:

`SUBCHAPTER II--INFORMATION SECURITY

`Sec. 3531. Purposes

`The purposes of this subchapter are the following:

- `(1) To provide a comprehensive framework for establishing and ensuring the effectiveness of controls over information resources that support Federal operations and assets.
- `(2)(A) To recognize the highly networked nature of the Federal computing environment including the need for Federal Government interoperability and, in the implementation of improved security management measures, assure that opportunities for interoperability are not adversely affected.
- `(B) To provide effective Government-wide management and oversight of the related information security risks, including coordination of information security efforts throughout the civilian, national security, and law enforcement communities.
- `(3) To provide for development and maintenance of minimum controls required to protect Federal information and information systems.
- `(4) To provide a mechanism for improved oversight of Federal agency information security programs.

`Sec. 3532. Definitions

`(a) Except as provided under subsection (b), the definitions under section 3502 shall apply to this subchapter.

`(b) In this subchapter:

- `(1) The term 'information technology' has the meaning given that term in section 5002 of the Clinger-Cohen Act of 1996 (40 U.S.C. 1401).
- `(2) The term 'mission critical system' means any telecommunications or information system used or operated by an agency or by a contractor of an agency, or other organization on behalf of an agency, that--

`(A) is defined as a national security system under section 5142 of the Clinger-Cohen Act of 1996 (40 U.S.C. 1452);

`(B) is protected at all times by procedures established for information which has been specifically authorized under criteria established by an Executive order or an Act of Congress to be classified in the interest of national defense or foreign policy; or

`(C) processes any information, the loss, misuse, disclosure, or unauthorized access to or modification of, would have a debilitating impact on the mission of an agency.

`Sec. 3533. Authority and functions of the Director

`(a)(1) The Director shall establish Government-wide policies for the management of programs that--

`(A) support the cost-effective security of Federal information systems by promoting security as an integral component of each agency's business operations; and

`(B) include information technology architectures as defined under section 5125 of the Clinger-Cohen Act of 1996 (40 U.S.C. 1425).

`(2) Policies under this subsection shall--

`(A) be founded on a continuing risk management cycle that recognizes the need to--

`(i) identify, assess, and understand risk; and

`(ii) determine security needs commensurate with the level of risk;

`(B) implement controls that adequately address the risk;

`(C) promote continuing awareness of information security risk; and

`(D) continually monitor and evaluate policy and control effectiveness of information security practices.

`(b) The authority under subsection (a) includes the authority to--

`(1) oversee and develop policies, principles, standards, and guidelines for the handling of Federal information and information resources to improve the

efficiency and effectiveness of governmental operations, including principles, policies, and guidelines for the implementation of agency responsibilities under applicable law for ensuring the privacy, confidentiality, and security of Federal information;

`(2) consistent with the standards and guidelines promulgated under section 5131 of the Clinger-Cohen Act of 1996 (40 U.S.C. 1441) and sections 5 and 6 of the Computer Security Act of 1987 (40 U.S.C. 1441 note; Public Law 100-235; 101 Stat. 1729), require Federal agencies to identify and afford security protections commensurate with the risk and magnitude of the harm resulting from the loss, misuse, or unauthorized access to or modification of information collected or maintained by or on behalf of an agency;

`(3) direct the heads of agencies to--

`(A) identify, use, and share best security practices;

`(B) develop an agency-wide information security plan;

`(C) incorporate information security principles and practices throughout the life cycles of the agency's information systems; and

`(D) ensure that the agency's information security plan is practiced throughout all life cycles of the agency's information systems;

`(4) oversee the development and implementation of standards and guidelines relating to security controls for Federal computer systems by the Secretary of Commerce through the National Institute of Standards and Technology under section 5131 of the Clinger-Cohen Act of 1996 (40 U.S.C. 1441) and section 20 of the National Institute of Standards and Technology Act (15 U.S.C. 278g-3);

`(5) oversee and coordinate compliance with this section in a manner consistent with--

`(A) sections 552 and 552a of title 5;

`(B) sections 20 and 21 of the National Institute of Standards and Technology Act (15 U.S.C. 278g-3 and 278g-4);

`(C) section 5131 of the Clinger-Cohen Act of 1996 (40 U.S.C. 1441);

`(D) sections 5 and 6 of the Computer Security Act of 1987 (40 U.S.C. 1441 note; Public Law 100-235; 101 Stat. 1729); and

`(E) related information management laws; and

`(6) take any authorized action under section 5113(b)(5) of the Clinger-Cohen Act of 1996 (40 U.S.C. 1413(b)(5)) that the Director considers appropriate, including any action involving the budgetary process or appropriations management process, to enforce accountability of the head of an agency for information resources management, including the requirements of this subchapter, and for the investments made by the agency in information technology, including--

`(A) recommending a reduction or an increase in any amount for information resources that the head of the agency proposes for the budget submitted to Congress under section 1105(a) of title 31;

`(B) reducing or otherwise adjusting apportionments and reappropriations of appropriations for information resources; and

`(C) using other authorized administrative controls over appropriations to restrict the availability of funds for information resources.

`(c) The authorities of the Director under this section (other than the authority described in subsection (b)(6))--

`(1) shall be delegated to the Secretary of Defense, the Director of Central Intelligence, and another agency head as designated by the President in the case of systems described under subparagraphs (A) and (B) of section 3532(b)(2);

`(2) shall be delegated to the Secretary of Defense in the case of systems described under subparagraph (C) of section 3532(b)(2) that are operated by the Department of Defense, a contractor of the Department of Defense, or another entity on behalf of the Department of Defense; and

`(3) in the case of all other Federal information systems, may be delegated only to the Deputy Director for Management of the Office of Management and Budget.

`Sec. 3534. Federal agency responsibilities

`(a) The head of each agency shall--

`(1) be responsible for--

`(A) adequately ensuring the integrity, confidentiality, authenticity,

availability, and nonrepudiation of information and information systems supporting agency operations and assets;

`(B) developing and implementing information security policies, procedures, and control techniques sufficient to afford security protections commensurate with the risk and magnitude of the harm resulting from unauthorized disclosure, disruption, modification, or destruction of information collected or maintained by or for the agency; and

`(C) ensuring that the agency's information security plan is practiced throughout the life cycle of each agency system;

`(2) ensure that appropriate senior agency officials are responsible for--

`(A) assessing the information security risks associated with the operations and assets for programs and systems over which such officials have control;

`(B) determining the levels of information security appropriate to protect such operations and assets; and

`(C) periodically testing and evaluating information security controls and techniques;

`(3) delegate to the agency Chief Information Officer established under section 3506, or a comparable official in an agency not covered by such section, the authority to administer all functions under this subchapter including--

`(A) designating a senior agency information security official who shall report to the Chief Information Officer or a comparable official;

`(B) developing and maintaining an agencywide information security program as required under subsection (b);

`(C) ensuring that the agency effectively implements and maintains information security policies, procedures, and control techniques;

`(D) training and overseeing personnel with significant responsibilities for information security with respect to such responsibilities; and

`(E) assisting senior agency officials concerning responsibilities under paragraph (2);

`(4) ensure that the agency has trained personnel sufficient to assist the agency in

complying with the requirements of this subchapter and related policies, procedures, standards, and guidelines; and

`(5) ensure that the agency Chief Information Officer, in coordination with senior agency officials, periodically--

`(A)(i) evaluates the effectiveness of the agency information security program, including testing control techniques; and

`(ii) implements appropriate remedial actions based on that evaluation; and

`(B) reports to the agency head on--

`(i) the results of such tests and evaluations; and

`(ii) the progress of remedial actions.

`(b)(1) Each agency shall develop and implement an agencywide information security program to provide information security for the operations and assets of the agency, including operations and assets provided or managed by another agency.

`(2) Each program under this subsection shall include--

`(A) periodic risk assessments that consider internal and external threats to--

`(i) the integrity, confidentiality, and availability of systems; and

`(ii) data supporting critical operations and assets;

`(B) policies and procedures that--

`(i) are based on the risk assessments required under subparagraph (A) that cost-effectively reduce information security risks to an acceptable level; and

`(ii) ensure compliance with--

`(I) the requirements of this subchapter;

`(II) policies and procedures as may be prescribed by the Director; and

`(III) any other applicable requirements;

`(C) security awareness training to inform personnel of--

- `(i) information security risks associated with the activities of personnel; and
 - `(ii) responsibilities of personnel in complying with agency policies and procedures designed to reduce such risks;
- `(D) periodic management testing and evaluation of the effectiveness of information security policies and procedures;
- `(E) a process for ensuring remedial action to address any significant deficiencies; and
- `(F) procedures for detecting, reporting, and responding to security incidents, including--
- `(i) mitigating risks associated with such incidents before substantial damage occurs;
 - `(ii) notifying and consulting with law enforcement officials and other offices and authorities;
 - `(iii) notifying and consulting with an office designated by the Administrator of General Services within the General Services Administration; and
 - `(iv) notifying and consulting with an office designated by the Secretary of Defense, the Director of Central Intelligence, and another agency head as designated by the President for incidents involving systems described under subparagraphs (A) and (B) of section 3532(b)(2).
- `(3) Each program under this subsection is subject to the approval of the Director and is required to be reviewed at least annually by agency program officials in consultation with the Chief Information Officer. In the case of systems described under subparagraphs (A) and (B) of section 3532(b)(2), the Director shall delegate approval authority under this paragraph to the Secretary of Defense, the Director of Central Intelligence, and another agency head as designated by the President.
- `(c)(1) Each agency shall examine the adequacy and effectiveness of information security policies, procedures, and practices in plans and reports relating to--
- `(A) annual agency budgets;
 - `(B) information resources management under subchapter I of this chapter;

`(C) performance and results based management under the Clinger-Cohen Act of 1996 (40 U.S.C. 1401 et seq.);

`(D) program performance under sections 1105 and 1115 through 1119 of title 31, and sections 2801 through 2805 of title 39; and

`(E) financial management under--

`(i) chapter 9 of title 31, United States Code, and the Chief Financial Officers Act of 1990 (31 U.S.C. 501 note; Public Law 101-576) (and the amendments made by that Act);

`(ii) the Federal Financial Management Improvement Act of 1996 (31 U.S.C. 3512 note) (and the amendments made by that Act); and

`(iii) the internal controls conducted under section 3512 of title 31.

`(2) Any significant deficiency in a policy, procedure, or practice identified under paragraph (1) shall be reported as a material weakness in reporting required under the applicable provision of law under paragraph (1).

`(d)(1) In addition to the requirements of subsection (c), each agency, in consultation with the Chief Information Officer, shall include as part of the performance plan required under section 1115 of title 31 a description of--

`(A) the time periods, and

`(B) the resources, including budget, staffing, and training,

which are necessary to implement the program required under subsection (b)(1).

`(2) The description under paragraph (1) shall be based on the risk assessment required under subsection (b)(2)(A).

`Sec. 3535. Annual independent evaluation

`(a)(1) Each year each agency shall have performed an independent evaluation of the information security program and practices of that agency.

`(2) Each evaluation by an agency under this section shall include--

`(A) testing of the effectiveness of information security control techniques for an appropriate subset of the agency's information systems; and

`(B) an assessment (made on the basis of the results of the testing) of the compliance with--

`(i) the requirements of this subchapter; and

`(ii) related information security policies, procedures, standards, and guidelines.

`(3) The Inspector General or the independent evaluator performing an evaluation under this section may use an audit, evaluation, or report relating to programs or practices of the applicable agency.

`(b)(1)(A) Subject to subparagraph (B), for agencies with Inspectors General appointed under the Inspector General Act of 1978 (5 U.S.C. App.) or any other law, the annual evaluation required under this section or, in the case of systems described under subparagraphs (A) and (B) of section 3532(b)(2), an audit of the annual evaluation required under this section, shall be performed by the Inspector General or by an independent evaluator, as determined by the Inspector General of the agency.

`(B) For systems described under subparagraphs (A) and (B) of section 3532(b)(2), the evaluation required under this section shall be performed only by an entity designated by the Secretary of Defense, the Director of Central Intelligence, or another agency head as designated by the President.

`(2) For any agency to which paragraph (1) does not apply, the head of the agency shall contract with an independent evaluator to perform the evaluation.

`(c) Each year, not later than the anniversary of the date of the enactment of this subchapter, the applicable agency head shall submit to the Director--

`(1) the results of each evaluation required under this section, other than an evaluation of a system described under subparagraph (A) or (B) of section 3532(b)(2); and

`(2) the results of each audit of an evaluation required under this section of a system described under subparagraph (A) or (B) of section 3532(b)(2).

`(d)(1) The Director shall submit to Congress each year a report summarizing the materials received from agencies pursuant to subsection (c) in that year.

`(2) Evaluations and audits of evaluations of systems under the authority and control of the Director of Central Intelligence and evaluations and audits of evaluation of National

Foreign Intelligence Programs systems under the authority and control of the Secretary of Defense shall be made available only to the appropriate oversight committees of Congress, in accordance with applicable laws.

`(e) Agencies and evaluators shall take appropriate actions to ensure the protection of information, the disclosure of which may adversely affect information security. Such protections shall be commensurate with the risk and comply with all applicable laws.

`Sec. 3536. Expiration

`This subchapter shall not be in effect after the date that is two years after the date on which this subchapter takes effect.'.

SEC. 1062. RESPONSIBILITIES OF CERTAIN AGENCIES.

(a) DEPARTMENT OF COMMERCE- Notwithstanding section 20 of the National Institute of Standards and Technology Act (15 U.S.C. 278g-3) and except as provided under subsection (b), the Secretary of Commerce, through the National Institute of Standards and Technology and with technical assistance from the National Security Agency, as required or when requested, shall--

(1) develop, issue, review, and update standards and guidance for the security of Federal information systems, including development of methods and techniques for security systems and validation programs;

(2) develop, issue, review, and update guidelines for training in computer security awareness and accepted computer security practices, with assistance from the Office of Personnel Management;

(3) provide agencies with guidance for security planning to assist in the development of applications and system security plans for such agencies;

(4) provide guidance and assistance to agencies concerning cost-effective controls when interconnecting with other systems; and

(5) evaluate information technologies to assess security vulnerabilities and alert Federal agencies of such vulnerabilities as soon as those vulnerabilities are known.

(b) DEPARTMENT OF DEFENSE AND THE INTELLIGENCE COMMUNITY-

(1) IN GENERAL- Notwithstanding any other provision of this subtitle (including any amendment made by this subtitle)--

(A) the Secretary of Defense, the Director of Central Intelligence, and another agency head as designated by the President, shall, consistent with their respective authorities--

- (i) develop and issue information security policies, standards, and guidelines for systems described under subparagraphs (A) and (B) of section 3532(b)(2) of title 44, United States Code (as added by section 1061 of this Act), that provide more stringent protection, to the maximum extent practicable, than the policies, principles, standards, and guidelines required under section 353 of such title (as added by such section 1061); and

- (ii) ensure the implementation of the information security policies, principles, standards, and guidelines described under clause (i); and

(B) the Secretary of Defense shall, consistent with his authority--

- (i) develop and issue information security policies, standards, and guidelines for systems described under subparagraph (C) of section 3532(b)(2) of title 44, United States Code (as added by section 1061 of this Act), that are operated by the Department of Defense, a contractor of the Department of Defense, or another entity on behalf of the Department of Defense that provide more stringent protection, to the maximum extent practicable, than the policies, principles, standards, and guidelines required under section 3533 of such title (as added by such section 1061); and

- (ii) ensure the implementation of the information security policies, principles, standards, and guidelines described under clause (i).

(2) MEASURES ADDRESSED- The policies, principles, standards, and guidelines developed by the Secretary of Defense and the Director of Central Intelligence under paragraph (1) shall address the full range of information assurance measures needed to protect and defend Federal information and information systems by ensuring their integrity, confidentiality, authenticity, availability, and nonrepudiation.

(c) DEPARTMENT OF JUSTICE- The Attorney General shall review and update guidance to agencies on--

- (1) legal remedies regarding security incidents and ways to report to and work with law enforcement agencies concerning such incidents; and

(2) lawful uses of security techniques and technologies.

(d) GENERAL SERVICES ADMINISTRATION- The Administrator of General Services shall--

(1) review and update General Services Administration guidance to agencies on addressing security considerations when acquiring information technology; and

(2) assist agencies in--

(A) fulfilling agency responsibilities under section 3534(b)(2)(F) of title 44, United States Code (as added by section 1061 of this Act); and

(B) the acquisition of cost-effective security products, services, and incident response capabilities.

(e) OFFICE OF PERSONNEL MANAGEMENT- The Director of the Office of Personnel Management shall--

(1) review and update Office of Personnel Management regulations concerning computer security training for Federal civilian employees;

(2) assist the Department of Commerce in updating and maintaining guidelines for training in computer security awareness and computer security best practices; and

(3) work with the National Science Foundation and other agencies on personnel and training initiatives (including scholarships and fellowships, as authorized by law) as necessary to ensure that the Federal Government--

(A) has adequate sources of continuing information security education and training available for employees; and

(B) has an adequate supply of qualified information security professionals to meet agency needs.

(f) INFORMATION SECURITY POLICIES, PRINCIPLES, STANDARDS, AND GUIDELINES-

(1) ADOPTION OF POLICIES, PRINCIPLES, STANDARDS, AND GUIDELINES OF OTHER AGENCIES- The policies, principles, standards, and guidelines developed under subsection (b) by the Secretary of Defense, the Director of Central Intelligence, and another agency head as designated by the President may be

adopted, to the extent that such policies are consistent with policies and guidance developed by the Director of the Office of Management and Budget and the Secretary of Commerce--

(A) by the Director of the Office of Management and Budget, as appropriate, for application to the mission critical systems of all agencies; or

(B) by an agency head, as appropriate, for application to the mission critical systems of that agency.

(2) DEVELOPMENT OF MORE STRINGENT POLICIES, PRINCIPLES, STANDARDS, AND GUIDELINES- To the extent that such policies are consistent with policies and guidance developed by the Director of the Office of Management and Budget and the Secretary of Commerce, an agency may develop and implement information security policies, principles, standards, and guidelines that provide more stringent protection than those required under section 3533 of title 44, United States Code (as added by section 1061 of this Act), or subsection (a) of this section.

(g) ATOMIC ENERGY ACT OF 1954- Nothing in this subtitle (including any amendment made by this subtitle) shall supersede any requirement made by, or under, the Atomic Energy Act of 1954 (42 U.S.C. 2011 et seq.). Restricted Data or Formerly Restricted Data shall be handled, protected, classified, downgraded, and declassified in conformity with the Atomic Energy Act of 1954 (42 U.S.C. 2011 et seq.).

SEC. 1063. RELATIONSHIP OF DEFENSE INFORMATION ASSURANCE PROGRAM TO GOVERNMENT-WIDE INFORMATION SECURITY PROGRAM.

(a) CONSISTENCY OF REQUIREMENTS- Subsection (b) of section 2224 of title 10, United States Code, is amended--

(1) by striking `(b) OBJECTIVES OF THE PROGRAM- ' and inserting `(b) OBJECTIVES AND MINIMUM REQUIREMENTS- (1)'; and

(2) by adding at the end the following:

`(2) The program shall at a minimum meet the requirements of sections 3534 and 3535 of title 44.'.

(b) ADDITION TO ANNUAL REPORT- Subsection (e) of such section is amended by adding at the end the following new paragraph:

`(7) A summary of the actions taken in the administration of sections 3534 and 3535

of title 44 within the Department of Defense.'.

SEC. 1064. TECHNICAL AND CONFORMING AMENDMENTS.

(a) TABLE OF SECTIONS- Chapter 35 of title 44, United States Code, is amended--

(1) in the table of sections--

(A) by inserting after the chapter heading the following:

`SUBCHAPTER I--FEDERAL INFORMATION POLICY';

and

(B) by inserting after the item relating to section 3520 the following:

`SUBCHAPTER II--INFORMATION SECURITY

`Sec.

`3531. Purposes.

`3532. Definitions.

`3533. Authority and functions of the Director.

`3534. Federal agency responsibilities.

`3535. Annual independent evaluation.

`3536. Expiration.';

and

(2) by inserting before section 3501 the following:

`SUBCHAPTER I--FEDERAL INFORMATION POLICY'.

(b) REFERENCES TO CHAPTER 35- Sections 3501 through 3520 of title 44, United States Code, are amended by striking `chapter' each place it appears and inserting `subchapter', except in section 3507(i)(1) of such title.

SEC. 1065. EFFECTIVE DATE.

This subtitle and the amendments made by this subtitle shall take effect 30 days after the date of enactment of this Act.